

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

BAYER AG and BAYER)	
CORPORATION,)	
)	
Plaintiffs,)	
)	
v.)	Civ. No. 01-148-SLR
)	
HOUSEY PHARMACEUTICALS,)	
INC.,)	
)	
Defendant.)	

MEMORANDUM ORDER

I. INTRODUCTION

On December 4, 2003, the court issued its opinion and order finding U.S. Patents Nos. 4,980,281, 5,688,655 and 5,877,007 (collectively the "Housey patents") unenforceable due to inequitable conduct. (D.I. 305, 306) Judgment in favor of Bayer Corporation and Bayer AG ("Bayer") was entered on December 8, 2003. (D.I. 308) Prior to finding inequitable conduct, the court had previously granted summary judgment in Bayer's favor and against defendant Housey Pharmaceuticals, Inc. ("Housey") on the issue of infringement under 35 U.S.C. § 271(g). Bayer AG v. Housey Pharmaceuticals, Inc., 169 F. Supp. 2d 328 (D. Del. 2001) aff'd 340 F.3d 1367 (Fed. Cir. 2003). In November 2003, Housey stipulated to the invalidity and noninfringement of the Housey patents based on the court's claim constriction order. (D.I.

269) Presently before the court is Bayer's motion for attorneys' fees and expenses pursuant to 35 U.S.C. § 285 and 28 U.S.C. § 1927 and, under the court's inherent authority, for an award of certain expert witness fees and expenses. (D.I. 309)

II. BACKGROUND

In its December 4, 2003 opinion, the court made detailed findings of fact and conclusions of law regarding the inequitable conduct of inventor Dr. Gerard Housey in the prosecution of his patent. (D.I. 305) The court found by clear and convincing evidence that Dr. Housey had not performed certain material experiments upon which he relied in the prosecution of his patent. (Id., ¶ 116-17) Consequently, the court also found clear and convincing evidence that Dr. Housey had made material misrepresentations to the United States Patent & Trademark Office ("PTO"). As the court previously stated, "[i]ntentionally misrepresenting key experiments to the PTO is conduct which cannot be explained, defended nor excused." (Id. at ¶ 117) In addition to Dr. Housey's material misrepresentations regarding certain experiments he claimed to have conducted, the court also found that Dr. Housey knowingly withheld prior art and engaged in a pattern of concealment inconsistent with the duty of candor. (Id. at ¶ 113-15)

III. DISCUSSION

A. Attorneys' Fees Awards in "Exceptional" Cases

"The court in exceptional circumstances may award reasonable attorney fees to the prevailing party." 28 U.S.C. § 285. In considering a motion for attorneys' fees, the court must undertake a two-step inquiry. See Interspiro USA, Inc. v. Figgie Intern. Inc., 18 F.3d 927, 933 (Fed. Cir. 1994). First, the court "must determine whether there is clear and convincing evidence that the case is 'exceptional.'" Id. Second, the court must determine whether "an award of attorney fees to the prevailing party is warranted." Id. Exceptional cases include: "[I]nequitable conduct before the PTO; litigation misconduct; vexatious, unjustified, and otherwise bad faith litigation; a frivolous suit or willful infringement." Epcon Gas Systems, Inc. v. Bauer Compressors, Inc., 279 F.3d 1022, 1034 (Fed. Cir. 2002).

B. Housey's Inequitable Conduct

Inequitable conduct before the PTO must be viewed in light of both the materiality of the conduct and the culpability of the patentee. See Florida State University Board of Educ. v. American Bioscience, Inc., 333 F.3d 1330, 1343 (Fed. Cir. 2003). A finding of inequitable conduct does not automatically dictate a conclusion that a case is exceptional. See Gardco Mfg., Inc. v. Herst Lighting Co., 820 F.2d 1209, 1215 (Fed. Cir. 1987). In the present case, the court has found inequitable conduct by clear

and convincing evidence and, on that basis, declared the Housey patents to be unenforceable. (D.I. 305) As summarized above and discussed in detail in the court's December 4, 2003 opinion, Housey's inequitable conduct included failure to disclose material prior art and deliberate misrepresentations. Consequently, the court finds that the same findings supporting a conclusion of inequitable conduct and an invalidation of the Housey patents support the conclusion that the present case is exceptional within the meaning of § 285.

Federal Circuit precedent dictates that, following a finding that a case is exceptional, the court must still exercise its discretion to determine whether the facts warrant the awarding of attorneys' fees and costs. See S.C. Johnson & Son, Inc. v. Carter-Wallace, Inc., 781 F.2d 198, 201 (Fed. Cir. 1986) ("Even an exceptional case does not require in all circumstances the award of attorney fees."). In its exercise of discretion, a court may reduce attorneys' fees consistent with the circumstances of the particular case. See, e.g., Lucent Technologies, Inc. v. Newbridge Networks Corp., 168 F. Supp. 2d 269, 276 (D. Del. 2001) (awarding portion of attorneys' fees).

In the present case, Bayer seeks \$4,540,522 in attorneys' fees, \$1,083,193.58 in expenses, and \$677,929.38 in expert witness fees, less a voluntary ten percent reduction applied to attorneys' fees and expenses (D.I. 310) John Toothman, Housey's

attorneys' fee expert, suggests that reasonable fees in the present case would be \$1,810,651.50 in attorneys' fees and \$229,827 in costs.¹ (D.I. 333) In contrast, according to a 2003 survey by the American Intellectual Property Law Association, where more than \$25 million is at risk in a patent infringement suit, the total cost for a party to bring the case to trial ranges between \$2,506,000 to \$5,007,000. (D.I. 337, ex. B at tbl. 22)

The billing records indicate that 23,021 hours were billed by Bayer's counsel on this matter, with an average billing rate of \$197.33 an hour. For the four attorneys most directly involved in the case, the billing rates ranged from \$275 to \$400 an hour. These rates are consistent with average attorney rates in the Wilmington area. (D.I. 337, ex. B at tbl. 16b)

Mindful of its discretion under Federal Circuit precedent, the court concludes that awarding the full amount of attorneys' fees in the present case is unwarranted. Relevant factors which influence the court's consideration include: (1) the court's findings with respect to inequitable conduct; (2) the absence of litigation misconduct; (3) the fact that Bayer initiated the

¹Toothman reached the above figures by excluding time entries which were cryptic, concerned internal conferences, clerical work, delegable tasks, internal memorandum or apparently duplicative work. (D.I. 333) Altogether these entries accounted for forty percent of the time entries provided on Bayer's counsel's billing statements.

present action; (4) the fact that the court has already granted substantial relief to Bayer in the form of a declaration of unenforceability; and (5) the extent to which an award of attorneys' fees in the present case supports the \$ 285 remedial purposes. Consequently, the court will award Bayer one third of its attorneys' fees in the amount of \$1,513,507.33 and costs in the amount of \$361,064.53. The court, however, declines to award Bayer any amount for expenditures related to expert witness fees due to the absence of documentation by Bayer related to those expenditures.

VI. CONCLUSION

At Wilmington this 4th day of May, 2004, for the reasons stated above;

IT IS ORDERED that:

1. Bayer's motion for attorneys' fees and costs (D.I. 309) is **granted** in the amount of \$1,874,571.86.

2. Housey's motion for leave to file memorandum respecting inaccurate statements made by Bayer (D.I. 342) is **denied** as moot.

Sue L. Robinson
United States District Court